

# **EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE**

## **MINUTES OF THE APRIL 16, 2014 PENSION BOARD MEETING**

### **1. Call to Order**

Vice Chair Dr. Brian Daugherty, acting as Chairman, called the meeting to order at 8:30 a.m. in Conference Room 1 of the Italian Community Center, 631 East Chicago Street, Milwaukee, Wisconsin 53202.

### **2. Roll Call**

#### Members Present

Laurie Braun

Dr. Brian Daugherty (Vice Chair)

Aimee Funck

Marilyn Mayr

Patricia Van Kampen

#### Members Excused

Norb Gedemer

Vera Westphal

#### Others Present

Marian Ninneman, CEBS, CRC, ERS Manager

Mark Grady, Deputy Corporation Counsel

Matthew Hanchek, Employee Benefits Administrator

Daniel Gopalan, Fiscal Officer

Brett Christenson, Marquette Associates, Inc.

Yvonne Mahoney, Retiree

Steven Huff, Reinhart Boerner Van Deuren s.c.

3. IRS Compliance

The Chairman moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes Section 19.85(1)(g), with regard to item 3, for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

**The Pension Board voted by roll call vote 5-0 to enter into closed session to discuss agenda item 3. Motion by Ms. Van Kampen, seconded by Ms. Braun.**

The Board discussed the matter in closed session. Upon returning to open session, the Pension Board took no further action on this item.

4. Update on BNY Beta Cash Overlay RFP

In open session, Messrs. Gopalan and Christenson reviewed the status of the cash overlay and beta transition manager request for proposal ("RFP"). BNY Mellon recently notified Marquette that BNY will be exiting the cash overlay and beta transition management trading business effective April 30, 2014. BNY indicated that they would provide a two-month extension for servicing its existing clients. However, after the April 30, 2014 deadline, BNY will have limited resources dedicated to managing the funds remaining in the cash overlay program.

Messrs. Gopalan and Christenson noted that ERS could expedite the RFP, but it is highly unlikely that the full RFP process could be completed by BNY's April 30 deadline. A second option would involve hiring a transitional overlay manager until the RFP process is complete. Mr. Gopalan then stated that ERS already has a contract on file with State Street to act as a transition manager.

Mr. Christenson next stated that State Street has offered to perform the overlay, as transition manager, at \$12 per trade. BNY was charging ERS an annual fee of \$6,500, which is extremely low, compared to industry standard annual fees of \$50,000 minimum. Because ERS overlays approximately \$30 million in cash, or 4% of ERS's assets on average each year, it is Marquette's recommendation that ERS enter into a short-term contract with State Street as transition manager. This will provide for the additional time necessary to complete the RFP process, while simultaneously ensuring all cash remains fully invested.

Mr. Grady then noted that because ERS has a written policy to maintain a cash overlay manager and ERS's current manager effectively quit, the ERS manager has the authority to take the necessary measures to enter into a temporary contract with an appropriate candidate, including State Street.

In response to a question from Mr. Grady, Ms. Ninneman and Mr. Christenson stated that it is not ERS' intention to enter into a long-term contract with State Street at this time. The State Street contract is currently under review, but ERS should be able to terminate at any time.

Ms. Braun then commented that ERS has an obligation to maintain a cash overlay manager and, based on the current circumstances, a temporary contract with State Street is the most favorable solution.

After continued discussion, amongst the Board and Mr. Grady, it was agreed that the ERS manager shall execute the temporary contract with State Street as ERS's cash overlay and beta transition manager.

The Chairman concluded the meeting by reporting that Ms. Mayr has decided to resign from her elected position as retiree Board member effective May 31, 2014. The Chairman expressed his thanks to Ms. Mayr for her service, noting that the Board is saddened by her resignation.

Ms. Mayr then expressed her appreciation to the Board for their dedicated oversight and degree of diligence exercised in the complex governance of the Pension Fund. Ms. Mayr noted that her time spent serving on the Board has been extremely satisfying however, at this time, she needs to utilize her energies in other areas.

Mr. Grady and Ms. Ninneman noted that ERS will not be able to provide the required 30-day notice, hold a special primary and final election (if necessary) and have a replacement ready by June 1, 2014. It is likely that the entire election process will not be complete until July 1, 2014.

Ms. Mayr stated that she had hoped the County Board Chair would make her appointments to the Pension Board by June, however, she will accommodate the special election schedule as necessary. Ms. Mayr added that she hopes ERS will be proactive and send out a separate notification to retiree members as soon as possible, as well as including notification in the May Communicator. In addition, it would be beneficial for ERS to generate increased interest among retiree members, as she was the only candidate interested in running last year.

5. Adjournment

The meeting adjourned at 9:15 a.m.

Submitted by Steven D. Huff,  
Secretary of the Pension Board